

STATEMENT OF
BRIAN SHEA
EXECUTIVE DIRECTOR
CHILD SUPPORT ENFORCEMENT ADMINISTRATION
BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
HEALTH & HUMAN RESOURCES SUBCOMMITTEE
FY 2005 BUDGET

FEBRUARY 10, 2004

STATEMENT OF
BRIAN SHEA
EXECUTIVE DIRECTOR
CHILD SUPPORT ENFORCEMENT ADMINISTRATION
BEFORE THE
SENATE BUDGET AND TAXATION COMMITTEE
HEALTH, EDUCATION AND HUMAN SERVICES SUBCOMMITTEE
FY 2005 BUDGET

FEBRUARY 16, 2004

MEMBERS OF THE COMMITTEE, I AM BRIAN SHEA, EXECUTIVE DIRECTOR, CHILD SUPPORT ENFORCEMENT ADMINISTRATION (CSEA) OF THE DEPARTMENT OF HUMAN RESOURCES (DHR). I AM PLEASED TO SHARE WITH YOU CSEA'S MAJOR ACCOMPLISHMENTS, GOALS AND CHALLENGES FOR THE FUTURE.

MISSION AND PURPOSE

THE MARYLAND CHILD SUPPORT ENFORCEMENT PROGRAM ENABLES, ENCOURAGES AND ENFORCES PARENTAL RESPONSIBILITY THROUGH INNOVATIVE PROGRAMS, PARTNERSHIPS, AND TECHNOLOGY, THEREBY CONTRIBUTING TO CHILD AND FAMILY WELL-BEING. WE ACCOMPLISH THIS BY COLLECTING AND DISTRIBUTING CHILD SUPPORT PAYMENTS AND BY PROVIDING MEDICAL SUPPORT SERVICES.

FY 2005 GOALS AND OBJECTIVES

DURING FY 2005 CSEA WILL CONTINUE TO ENHANCE EXISTING PROGRAMS AND OPERATIONS TO IMPROVE THE ECONOMIC INDEPENDENCE OF FAMILIES AND ENSURE THAT ALL PARENTS IN MARYLAND SUPPORT THEIR CHILDREN. OUR PROGRAMS ARE GEARED TOWARD ENSURING THAT BOTH TEMPORARY CASH ASSISTANCE (TCA) AND NON-TCA FAMILIES RECEIVE AND GAIN BETTER ACCESS TO CHILD SUPPORT SERVICES. CSEA WILL CONTINUE TO EXPLORE NEW INITIATIVES THAT WILL ALLOW THE AGENCY TO MAXIMIZE OUTSOURCING, IMPROVE AUTOMATION, AND TO PROVIDE ENHANCED CUSTOMER SERVICE THROUGH ITS CUSTOMER CALL CENTER, E-CHILD SUPPORT WEBSITE, AND EXPANDED ELECTRONIC BANKING SERVICES FOR CUSTOMERS.

CSEA HAS ESTABLISHED PERFORMANCE MEASURE GOALS ALIGNED WITH THE REQUIREMENTS IN THE FEDERAL INCENTIVE STRUCTURE. CHILD SUPPORT INCENTIVES ARE AWARDED BASED ON FIVE PERFORMANCE MEASURES: NUMBER OF CHILD WITH PATERNITY ESTABLISHED, PERCENT OF CASES WITH SUPPORT ORDERS ESTABLISHED, PERCENT OF CURRENT SUPPORT COLLECTED, PERCENT OF ARREARS COLLECTED, AND COST EFFECTIVENESS RATIO. EACH YEAR, THE FEDERAL OFFICE OF AUDITS CONDUCTS A DATA RELIABILITY AUDIT (DRA) AND REVIEWS THE RELIABILITY OF THE STATISTICS REPORTED TO THE FEDERAL OFFICE OF CHILD SUPPORT ENFORCEMENT REGARDING CSEA'S PERFORMANCE. CSEA MUST ACHIEVE DRA RESULTS 95% OR GREATER IN EACH PERFORMANCE MEASURE CATEGORY TO EARN INCENTIVE FUNDS. FOR FFY 2002, MARYLAND WAS AWARDED \$8.7 MILLION IN CHILD SUPPORT PERFORMANCE INCENTIVES. THESE FUNDS MUST BE USED FOR PROGRAM ENHANCEMENTS. MARYLAND'S INCENTIVE EARNINGS RANKED 16TH IN THE NATION. THIS FURTHER DEMONSTRATES THAT CSEA IS RECOGNIZED AS A NATIONAL LEADER IN THE DELIVERY OF THESE IMPORTANT SERVICES.

FY 2003 AND FY 2004 PROGRAM HIGHLIGHTS AND INNOVATIONS

TOTAL COLLECTIONS

TOTAL COLLECTIONS FOR FY 2003 WERE \$437.5 MILLION WHICH REPRESENTED AN \$18 MILLION INCREASE AND EXCEEDED THE PRIOR YEAR BY 4.3%.

ADMINISTRATIVE EARNINGS WITHHOLDING

BEGINNING APRIL 2002, CSEA BEGAN ISSUING ADMINISTRATIVE WITHHOLDING NOTICES THAT INCLUDE AN ADDITIONAL AMOUNT FOR PAYMENT ON ARREARS.

ALSO, CSEA IMPLEMENTED AN AUTOMATED PROCESS OF ISSUING WITHHOLDING NOTICES TO EMPLOYERS WITHOUT THE NEED FOR WORKER INTERVENTION. THE AUTOMATED PROCESS INCREASES THE EFFECTIVENESS AND EFFICIENCY OF THE CHILD SUPPORT PROGRAM AND BENEFITS CHILDREN AND FAMILIES THROUGH INCREASED COLLECTIONS.

STATE DISBURSEMENT UNIT

THE STATE DISBURSEMENT UNIT IS RESPONSIBLE FOR PROCESSING ALL CHILD SUPPORT PAYMENTS CENTRALLY. BEGINNING IN JANUARY 2003, CSEA IMPLEMENTED DIRECT DEPOSIT AND CASHPAY AS TWO NEW FORMS OF ELECTRONIC PAYMENT OPTIONS FOR CUSTOMERS. TO DATE, OVER 21,000 CUSTOMERS ARE RECEIVING THEIR SUPPORT PAYMENTS ELECTRONICALLY. IN ADDITION, CSEA IS MARKETING AND ENCOURAGING EMPLOYERS TO REMIT CHILD SUPPORT PAYMENTS THROUGH THE USE OF ELECTRONIC FUNDS TRANSFER (EFT) TO REDUCE TIME AND COST TO THE STATE IN PROCESSING PAYMENTS. IN 2004, THE CSEA WILL EXPLORE NEW ELECTRONIC PAYMENT OPTIONS THAT WILL ALLOW NON-CUSTODIAL PARENTS THE FREEDOM TO MAKE CHILD SUPPORT PAYMENTS OVER THE TELEPHONE AND VIA THE INTERNET.

PRIVATIZATION AND DEMONSTRATION PILOT PROGRAMS

HOUSE BILL 564 OF 2003 RE-ESTABLISHED THE PRIVATIZATION AND DEMONSTRATION PILOTS UNDER FAMILY LAW §§ 10-119.1 AND 10-119.2, ANNOTATED CODE OF MARYLAND. THIS LAW, EFFECTIVE JUNE 1, 2003 REMAINS IN EFFECT FOR SIX YEARS AND FOUR MONTHS. THE BALTIMORE CITY AND QUEEN ANNE'S COUNTY PRIVATIZATION PILOTS, AS PROVIDED FOR UNDER THIS LAW, WERE SLATED TO BEGIN ON JULY 1, 2003. HOWEVER DUE TO AN APPEAL OF THE RECOMMENDATION FOR AWARD, THIS WAS DELAYED UNTIL JANUARY 1,

2004. SERVICES UNDER THE NEW CONTRACT WITH POLICY STUDIES, INC. BEGAN ON JANUARY 2, 2004 AFTER A SMOOTH TRANSITION FROM THE PREVIOUS CONTRACTOR. FOUR DEMONSTRATION SITES, CALVERT, HOWARD, MONTGOMERY AND WASHINGTON COUNTIES WERE RE-ESTABLISHED IN JULY 2003. ALSO, AS PROVIDED UNDER THIS LAW, THE DEMONSTRATION SITES WILL BE EXPANDED ON AN INCREMENTAL BASIS OVER THE NEXT SIX YEAR PERIOD TO THE REMAINING EIGHTEEN (18) MARYLAND COUNTIES.

OPERATION OF MARYLAND'S DRIVER'S LICENSE SUSPENSION PROGRAM

THE DRIVER'S LICENSE SUSPENSION PROGRAM CONTINUES TO BE SUCCESSFUL. FOR FISCAL YEAR 2003, A TOTAL OF \$18 MILLION WAS COLLECTED AND 18,233 LICENSES WERE SUSPENDED. SINCE THE INCEPTION OF THE PROGRAM, A TOTAL OF \$222 MILLION HAS BEEN COLLECTED. CSEA CONTINUES TO WORK IN COLLABORATION WITH THE MOTOR VEHICLE ADMINISTRATION (MVA) TO IMPROVE THE PERFORMANCE, ACCURACY AND RELIABILITY OF THE DRIVER'S LICENSE SUSPENSION (DLS) PROGRAM. THE GOALS OF THE COLLABORATIVE EFFORT ARE TO INCREASE THE EFFICIENCY OF THE PROGRAM, IMPROVE CUSTOMER SERVICE, AND TO ENHANCE THE AUTOMATED PROCESSES.

STATEWIDE IMPLEMENTATION OF THE AUTOMATED CHILD SUPPORT ENFORCEMENT SYSTEM (CSES)

MARYLAND'S AUTOMATED SYSTEM WAS FULLY CERTIFIED BY THE FEDERAL GOVERNMENT IN DECEMBER 2000. IN FY03, CSEA IMPLEMENTED THE RE-ENGINEERING OF CSES FROM A DISK OPERATING SYSTEM (DOS) TO A WINDOWS ENVIRONMENT. THIS CHANGE HAS AFFORDED US MORE FLEXIBILITY IN SYSTEM UPGRADES AND ENHANCEMENTS TO INCLUDE THE FOLLOWING FY 2003 AND FY 2004 PROJECTS:

- NEW TOOLS FOR CHLD SUPPORT MANAGERS TO CREATE CUSTOMIZED REPORTS FOR TRACKING PROGRAM PERFORMANCE
- PROVISION OF DIRECT DEPOSIT SERVICES FOR CUSTODIAL PARENTS. THE
- MORE EFFICIENT INTERFACES WITH OTHER COMPUTER SYSTEMS, SUCH AS, ESTABLISHING A MEANS TO ELECTRONICALLY FILE CHILD SUPPORT ORDERS WITH THE COURTS AND RECEIVE NON IV-D COURT ORDERS FROM THE COURTS.
- PARTICIPATION IN AN AUTOMATED INTERSTATE CASE RECONCILIATION PROCESS WITH THE FEDERAL OFFICE OF CHILD SUPPORT ENFORCEMENT.
- ENABLING NON-CUSTODIAL PARENTS TO REMIT CHILD SUPPORT PAYMENTS VIA CREDIT CARD AND/OR AN AUTOMATED DEBITING OF THEIR BANK ACCOUNT.
- AUTOMATIC GENERATE DOCUMENTS REQUIRED TO FREEZE AND SEIZE BANK ACCOUNTS OF NON-CUSTODIAL PARENTS.

MEETING CUSTOMER NEEDS

- **CALL CENTER OPERATIONS**

UNDER A CONTRACT WITH A PRIVATE VENDOR, THE CHILD SUPPORT CUSTOMER CALL CENTER BEGAN OPERATIONS IN FEBRUARY 2001. ITS PRIMARY GOALS ARE TO PROFESSIONALLY HANDLE CUSTOMER INQUIRIES AND PROVIDE THEM WITH ACCURATE AND TIMELY INFORMATION ABOUT THEIR CHILD SUPPORT CASES. SINCE IMPLEMENTATION OF THE CALL CENTER, CHILD SUPPORT CUSTOMERS ARE PLEASED WITH THE PROMPT ATTENTION THEIR CALLS RECEIVE FROM THE CALL CENTER REPRESENTATIVES. IT HAS PROVEN TO BE AN EFFICIENT, COST EFFECTIVE PROCESS FOR MANAGING CUSTOMER CALLS AND PROVIDING CUSTOMERS WITH AN IMMEDIATE LIVE VOICE TO

RESPOND TO THEIR INQUIRIES. FOR THESE REASONS, THIS CUSTOMER FOCUSED ENDEAVOR WILL BE A LONG TERM SOLUTION TO MEETING CUSTOMER NEEDS. IN ADDITION, THIS SOLUTION IS A BENEFIT TO LOCAL CHILD SUPPORT WORKERS AS IT RELIEVES THEM TO HANDLE THE MORE COMPLEX CASE PROCESSING FUNCTIONS.

- **e-CHILD SUPPORT**

IN FY 2003, CSEA IMPLEMENTED A WEB-ENABLED CUSTOMER SERVICE INITIATIVE THAT ALLOWS PARENTS TO ACCESS, UPDATE AND EXCHANGE INFORMATION 24 HOURS A DAY, 365 DAYS A YEAR. CUSTOMERS ARE ABLE TO OBTAIN UP TO 6 MONTHS OF PAYMENT HISTORY AND CASE INFORMATION, AND PROVIDE UPDATED INFORMATION, WITHOUT THE NEED TO CALL OR APPEAR AT A CHILD SUPPORT OFFICE. THIS INITIATIVE WILL BE EXPANDED TO ALLOW EMPLOYERS AND OTHER STATES TO ACCESS UPDATE AND EXCHANGE INFORMATION. THIS IS TARGETED FOR FY 2004.

DEVELOPMENT OF WORKER TRAINING CERTIFICATION PROGRAM

THIS PROGRAM, WHICH BEGAN IN SEPTEMBER 1999, IN COLLABORATION WITH THE COMMUNITY COLLEGES OF BALTIMORE COUNTRY (CCBC) HAS CONTINUED TO DEVELOP AS A TOOL TO ENHANCE THE SKILLS OF CHILD SUPPORT STAFF AND IMPROVE THE DELIVERY OF CHILD SUPPORT SERVICES. THE PILOT HAS BEEN COMPLETED AND THE PROGRAM IS AVAILABLE TO STAFF THROUGHOUT THE STATE. STUDENTS MAY RECEIVE FULL CERTIFICATION OR RECEIVE CERTIFICATION IN SPECIFIC FUNCTIONAL AREAS TO INCLUDE INTAKE, ESTABLISHMENT OR ENFORCEMENT. IN THE SPRING 2004, THE PROGRAM WILL BE MOVED TO THE NEW TRAINING LABORATORY LOCATED AT THE DUNDALK

CAMPUS OF CCBC. IN ADDITION, CSEA AND CCBC ARE WORKING TOGETHER TO IMPLEMENT AN ASSOCIATE OF ARTS DEGREE IN HUMAN SERVICES WITH A FOCUS ON CHILD SUPPORT. IT IS EXPECTED THAT THIS PROGRAM WILL BE OFFERED IN THE FALL OF 2004. THIS DEGREE WILL BE AVAILABLE TO CHILD SUPPORT STAFF AS WELL AS TO THE PUBLIC.

OPPORTUNITIES AND CHALLENGES

RECENT STUDIES HAVE SHOWN THAT LOW-INCOME OBLIGORS ARE RESPONSIBLE FOR APPROXIMATELY 60 PERCENT OF CHILD SUPPORT ARREARS ALTHOUGH THEY ONLY REPRESENT APPROXIMATELY 25 PERCENT OF THE CHILD SUPPORT POPULATION. SOME OF THE REASONS GIVEN ARE BARRIERS TO EMPLOYMENT AND CHILD SUPPORT ORDERS THAT ARE TOO HIGH RELATIVE TO THEIR ABILITY TO PAY. CSEA IS BEGINNING TO ADDRESS THIS ISSUE BY FORGING PARTNERSHIPS WITH PROVIDERS ABLE TO ASSIST UNEMPLOYED OBLIGORS, AND CONTINUING TO STUDY THE CHILD SUPPORT GUIDELINES TO ADDRESS DISPARITIES FOR LOW INCOME OBLIGORS.

UNDISTRIBUTED COLLECTIONS (UDC) CONTINUE TO IMPACT CHILD SUPPORT AGENCIES NATIONWIDE. TO MANAGE THIS ACTIVITY, CSEA ESTABLISHED NEW PROCEDURES FOR MANAGING UDC, PROVIDED ADDITIONAL TRAINING FOR CHILD SUPPORT ENFORCEMENT WORKERS AND IMPLEMENTED DIRECT DEPOSIT AND CASHPAY FOR CUSTODIAL PARENTS IN JANUARY 2003. THESE INITIATIVES ARE DESIGNED TO MAINTAIN STATEWIDE UDC AT ONE PERCENT (1%) OR LESS OF THE ANNUAL DISBURSED COLLECTIONS. AT THE END OF FISCAL YEAR 2003 THE STATEWIDE UNDISTRIBUTED COLLECTIONS PERCENTAGE WAS .78%.

PROPOSED LEGISLATION

SENATE BILL 38 – FAMILY LAW CHILD SUPPORT ENFORCEMENT EARNINGS WITHHOLDING – REPEALS THE REQUIREMENT FOR THE CHILD SUPPORT ENFORCEMENT ADMINISTRATION TO SEND EARNINGS WITHHOLDING NOTICES TO OBLIGORS AND MEDICAL SUPPORT NOTICES TO EMPLOYERS BY CERTIFIED MAIL. THE ENACTMENT OF THIS CHANGE WOULD SAVE THE DEPARTMENT APPROXIMATELY \$1.9 MILLION DOLLARS ANNUALLY, WITHOUT ANY ADVERSE EFFECT ON THE NOTICE PROCESS.

WE WILL CONTINUE TO MAKE PROGRESS WITH YOUR FAVORABLE SUPPORT OF THE BUDGET THAT IS BEFORE YOU.

**DEPARTMENT OF HUMAN RESOURCES CHILD SUPPORT ENFORCEMENT
ADMINISTRATION**

FY 2003 ACCOMPLISHMENTS

- **Child Support Disbursed Collections**

™ \$437.5 million – FY 2003

™ 4.3% - Increase over FY 2002

- **Operation of Driver's License Suspension Program**

™ \$18 million - FY 2003 Collections

™ \$222 million - Collections since program inception (10/1/96)
18,233 – License suspensions during FY 2003

- **Operation of Earnings Withholding Order (EWO) Program**

\$293 million collected

™ 1,250,000 – FY 2003 matches

™ 290,000 – Total notices generated

- **Continued operation of the Paternity Acknowledgement Program**

™ 17,070 – FY 2002 Acknowledgements of Paternity

- **Performance Measures Achieved in Key Performance Areas**

		FFY2003
	<u>Goal</u>	<u>Actual</u>
™ Paternity Establishment Percentage	79%	76%
™ Support Order Establishment Percentage	71%	69%
™ Percentage of Cases Paying on Arrears	62%	62%
™ Percentage of Current Support Collected	63%	63%
™ Cost/Collection Ratio	N/A	\$4.49: 1

- **Child Support Caseload**

™ 38,918 Temporary Cash Assistance (TCA) Cases

™ 130,663 Former TCA Cases

™ 142,741 Non-TCA Cases

™ 312,322 Total Cases

- **In January 2003 Implemented Direct Deposit/CashPay**

™ Over 21,000 Clients are enrolled

**DEPARTMENT OF HUMAN RESOURCES
CHILD SUPPORT ENFORCEMENT ADMINISTRATION
N00H00**

Refer: **Legislative Analyst Recommendation
Page 7**

Budget Book: **Volume II, pages 500 - 503**

ANALYST'S ISSUE #1:

GIVEN THAT DHR ATTRIBUTES STALLING PROGRESS IN FISCAL 2003 TO THE HIRING FREEZE, THE SECRETARY OF DHR SHOULD COMMENT ON WHETHER PROJECTED IMPROVEMENTS IN FISCAL 2004 AND 2005 ARE FEASIBLE, GIVEN THE CONTINUING HIRING FREEZE. IF SO, HOW WILL THEY BE ACHIEVED? IF NOT, WHAT OTHER RESOURCES, IF ANY, WOULD MAKE IMPROVEMENTS POSSIBLE WITHOUT ADDITIONAL PERSONNEL, E.G., TECHNOLOGY ENHANCEMENTS, TRAINING, STATUTORY CHANGES, FEDERAL WAIVERS, ETC.?

Department's Response:

During FY 2004 and FY 2005, there is an expectation that performance will improve in Baltimore City based on initiatives that PSI proposed for paternity and support order establishment. Also, using incentive reinvestment funds, CSEA intends to outsource certain front-end functions (intake and establishment of paternity and support orders using the consent process) in metropolitan jurisdictions that have staffing issues. Along with new initiatives, all offices will continue case cleanup to ensure that system data (used to generate performance statistics) is accurate and up-to-date.

**DEPARTMENT OF HUMAN RESOURCES
CHILD SUPPORT ENFORCEMENT ADMINISTRATION
N00H00**

Refer: **Legislative Analyst Recommendation
Page 14**

Budget Book: **Volume II, pages 500 - 503**

ANALYST'S ISSUE #2:

DLS RECOMMENDS THAT THE SECRETARY OF DHR COMMENT ON THE TRANSITION OF CONTRACTORS IN BALTIMORE CITY AND QUEEN ANNE'S COUNTY, INCLUDING WHATEVER DATA ON PERFORMANCE IS AVAILABLE FOR JANUARY 2004.

Department's Response:

The time available for the transition in Baltimore City and Queen Anne's County to Policy Studies, Incorporated (PSI) was brief. Considering the relatively short timeframe for the transition, PSI implemented a fully operational child support program in Baltimore City and Queen Anne's County. Trained employees are providing quality services to Baltimore City and Queen County customers. PSI, in conjunction with CSEA, established the Baltimore City Child Support Partnership workgroup. Other participants of the workgroup include representatives from Offices of the State's Attorney's, Circuit Court Masters, Clerk of Court, Sheriff and Child Support Enforcement Administration (CSEA). This workgroup meets biweekly to identify and resolve issues that prevent agencies and staff from delivering quality child support services to our customers. As of January 2004, PSI's performance data is as follows:

- | | |
|------------------------------|-------------|
| · Child Support Collections | \$6,054,811 |
| · Paternity Established | 230 |
| · Support Orders Established | 152. |

**DEPARTMENT OF HUMAN RESOURCES
CHILD SUPPORT ENFORCEMENT ADMINISTRATION
N00H00**

Refer: **Legislative Analyst Recommendation
Page 14**

Budget Book: **Volume II, pages 500 - 503**

ANALYST'S ISSUE #3:

DLS RECOMMENDS THAT THE SECRETARY COMMENT ON WHAT ACTION THE AGENCY WILL TAKE IF THE CIRCUIT COURT RULES IN MAXIMUS' FAVOR.

Department's Response:

The case filed by MAXIMUS, Inc. is against the decision of the Maryland State Board of Contract Appeals. The Baltimore City Circuit court will issue a decision in accord with State Government Article §10-222(h). The Department will comply with any directives of the Board of Public Works based upon the Circuit Court decision. Because this litigation is pending, the Department is limited in what it can comment on this issue.

**DEPARTMENT OF HUMAN RESOURCES
CHILD SUPPORT ENFORCEMENT ADMINISTRATION
N00H00**

Refer: **Legislative Analyst Recommendation
Pages 3/15**

Budget Book: **Volume II, pages 500 - 503**

ANALYST'S RECOMMENDED ACTION #1:

REDUCE GENERAL FUNDS TO RECOGNIZE AVAILABILITY OF SPECIAL FUNDS. THE DEPARTMENT MAY EARN CHILD SUPPORT REINVESTMENT FUNDS BASED ON ITS PERFORMANCE. REINVESTMENT FUNDS ARE LIKE GENERAL FUNDS IN THAT THEY CAN BE SPENT AND USED TO DRAW FEDERAL MATCHING FUNDS. IF THE AGENCY WERE TO EARN REINVESTMENT FUNDS IN FISCAL 2004 AND 2005 EQUAL TO 85% OF THE AMOUNT IT EARNED IN FISCAL 2003, IT WOULD HAVE APPROXIMATELY \$1,430,000 MORE AVAILABLE THAN IS CURRENTLY BUDGETED. THE REINVESTMENT FUNDS CAN BE SPENT IN PLACE OF GENERAL FUNDS IN FISCAL 2005 ALLOWANCE.

Department's Response:

The Department disagrees with the recommended action as it may result in the supplanting of funds. Incentives are not the same as general funds in that as much as they can be used to match federal funds, their utilization is restricted. These are temporary funds earned by the state based on performance achievement and passing the data reliability audit. The state would not be entitled to incentives for any category in which performance falls below the minimum level or the data reliability audit standards are not met. Therefore, the incentive earnings are not necessarily reliable or consistent.

In addition, states are restricted by federal regulations at 45 CFR 305.35(a) from using incentives to supplant other state funds for child support program activities. Rather incentive funds are to be used only for initiatives that contribute to improving the effectiveness or efficiency of the child support program. Further, state child support expenditures may not be reduced as a result of the receipt and reinvestment of incentive payments.

To ensure that states do not use incentives to supplant other state funds, the Federal regulations at 45 CFR 305.35(d) provide that the base amount of state spending in 1998 must be maintained in future years. Incentive payments must be used in addition to and not in lieu of the base amount. With these restrictions, the recommended general funds cut of \$1,430,000 could result in a reduction in incentive earnings by the same amount and a federal fund reduction.

The Department is reinvesting incentives into the child support program by enhancing the statewide child support system, outsourcing and other initiatives designed to improve customer

service, worker efficiency and overall program performance. Reinvestment fund incentives are being used or will be used for the following initiatives:

- Rewrite of the front-end child support system from a DOS to a Windows environment. This enhancement increased worker efficiency by allowing them to work in several program applications at the same time – Implemented.
- Direct deposit into customer's bank accounts. This reduces the cost of disbursing payments and the amount of undistributed collections related to returned checks - Implemented.
- e-Child is a web enabled customer service initiative that allows parents to access, update and exchange information 24 hours a day without the need to call or appear at a child support office. This initiative will be expanded to allow employers and other states to access, update and exchange information and to enable non-custodial parents to remit child support payments electronically - Implemented.
- DataWatch is a new tool for child support managers to create customized reports for tracking performance and to facilitate case clean-up – Under Development.
- Automate administrative garnishment process to facilitate document generation, case tracking and payment processing – Under Development.
- Interstate Process Service contract to facilitate paternity and support order establishment and enforcement of support order when the non-custodial parent lives in another state and service of process is required for hearings in a Maryland court – Under Development.
- Front –End Case Processing Contract to be used in targeted jurisdictions to provide for intake and establishment of paternity and support using the consent process – Under Development.
- Automated Case Closing to facilitate the identification and closure of certain cases without the need for worker intervention – Under Development.

CSEA must have the ability to use reinvestment funds for the purposes intended. This source of revenue provides the seed money for CSEA to implement statewide automation and program service enhancements and for local agencies to implement local specific initiatives. Further erosion of child support general funds will jeopardize incentive payments to the State of Maryland. Therefore, over the long term the child support program would be seriously hampered if this strategy for saving general funds were implemented. Using this strategy would place Maryland out of compliance with federal regulations.